executive report 1971

ALBERTA economic research

WITHDRAWN
FEB 25 1972
RECEIVED

"EXECUTIVE REPORT - 1971"

. . . a survey of executive opinion

A Publication of
The Economic Research Branch
DEPARTMENT OF INDUSTRY AND COMMERCE
GOVERNMENT OF ALBERTA

January, 1971

HON. F. H. PEACOCK
Minister

R. G. McFARLANE
Deputy Minister

FOREWORD

The confidence in Alberta's economic future expressed in this report reflects the opinions of 290 business executives heading prominent Alberta business enterprises. Without their co-operation this project would not have been possible.

We trust this report will assist Alberta executives in planning their business activities for 1971 and beyond.

Please direct all enquires and comments to:

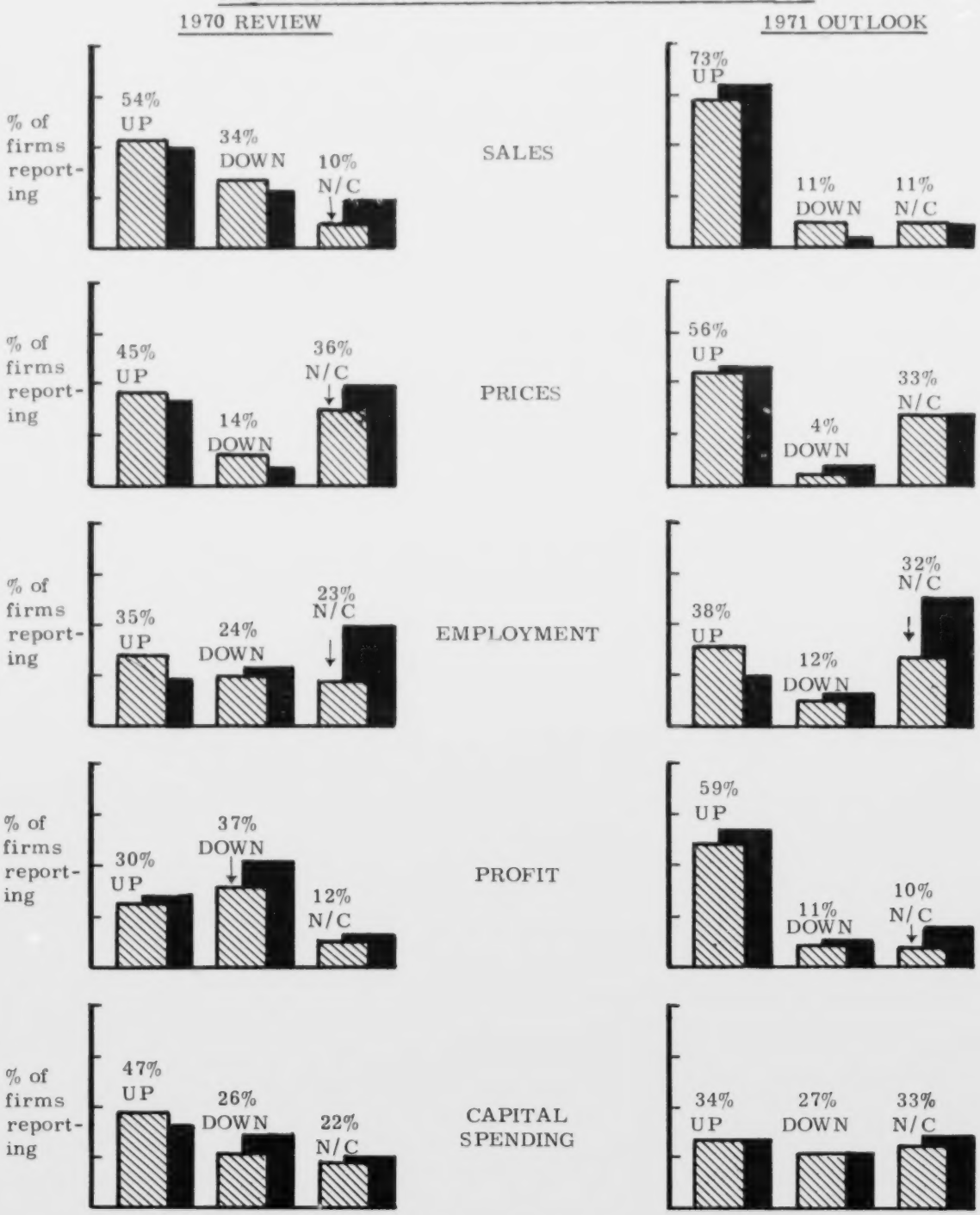
Economic Research Branch,
Department of Industry and Tourism,
Room 1502, Centennial Building,
Edmonton, Alberta.

Attention: Mr. E. G. Shaske,
Economist.

TABLE OF CONTENTS

	Page
Prospects for 1971 ... Recovery and Growth	1
Agriculture	5
Forestry	8
Mining	11
Oil and Gas	
Sulphur	
Coal	
Manufacturing	17
Construction	20
Transportation, Communications and Utilities	23
Trade	27
Finance, Real Estate and Other Services	29
Finance	
Real Estate	
Importing-Exporting	
Advertising	
Recreation and Travel	
Appendix: Methodology	36

PROSPECTS FOR '71. . . . RECOVERY AND GROWTH



Figures are expressed as percent of total Alberta replies.

: a survey conducted by the Economic Research Branch for Alberta only

: a survey conducted by "The Financial Post" for all of Canada.

PROSPECTS FOR '71 . . . . RECOVERY AND GROWTH

The economic uncertainity that was prevalent throughout Canada in 1969 continued in 1970. The outlook for 1971 is for recovery and growth more in line with economic growth potentials.

Alberta's economic performance when compared with that for Canada, shows satisfactory growth during 1970. The chart to the left and the tables on the following page show results of two similar surveys; one, a survey of opinion conducted by "The Financial Post", presents the views of senior executives throughout Canada; the second, a survey by the Economic Research Branch, summarizes opinions of Alberta executives reporting on Alberta operations. It is noted that for 1971 both Canadian and Alberta executives project "recovery and growth".

Canadian executives predict more favorable economic conditions for 1971. "The Financial Post" reports that 80 per cent of the executives surveyed expect higher sales in 1971. This compares with 48 per cent reporting sales increases during 1970. Prices and profits are also expected to rise during 1971. Significant on the Canadian scene are the responses to the employment outlook where 24 per cent of the reporting executives expect increases with 62 per cent of the responses indicating a "hold the line" approach.

Alberta's executive response shows many of the same results as indicated on the national level by "The Financial Post".

EXECUTIVE REVIEW
1970 vs 1969

INDICATOR		CANADA* %	ALBERTA %
Sales:			
	Increased	48	54
	Decreased	27	34
	No Change	20	10
Prices:			
	Increased	40	45
	Decreased	9	14
	No Change	49	36
Employment:			
	Increased	20	35
	Decreased	30	24
	No Change	49	23
Profit:			
	Increased	32	30
	Decreased	51	37
	No Change	14	12
Capital Spending:			
	Increased	39	47
	Decreased	34	26
	No Change	25	22

EXECUTIVE OUTLOOK
1971 vs 1970

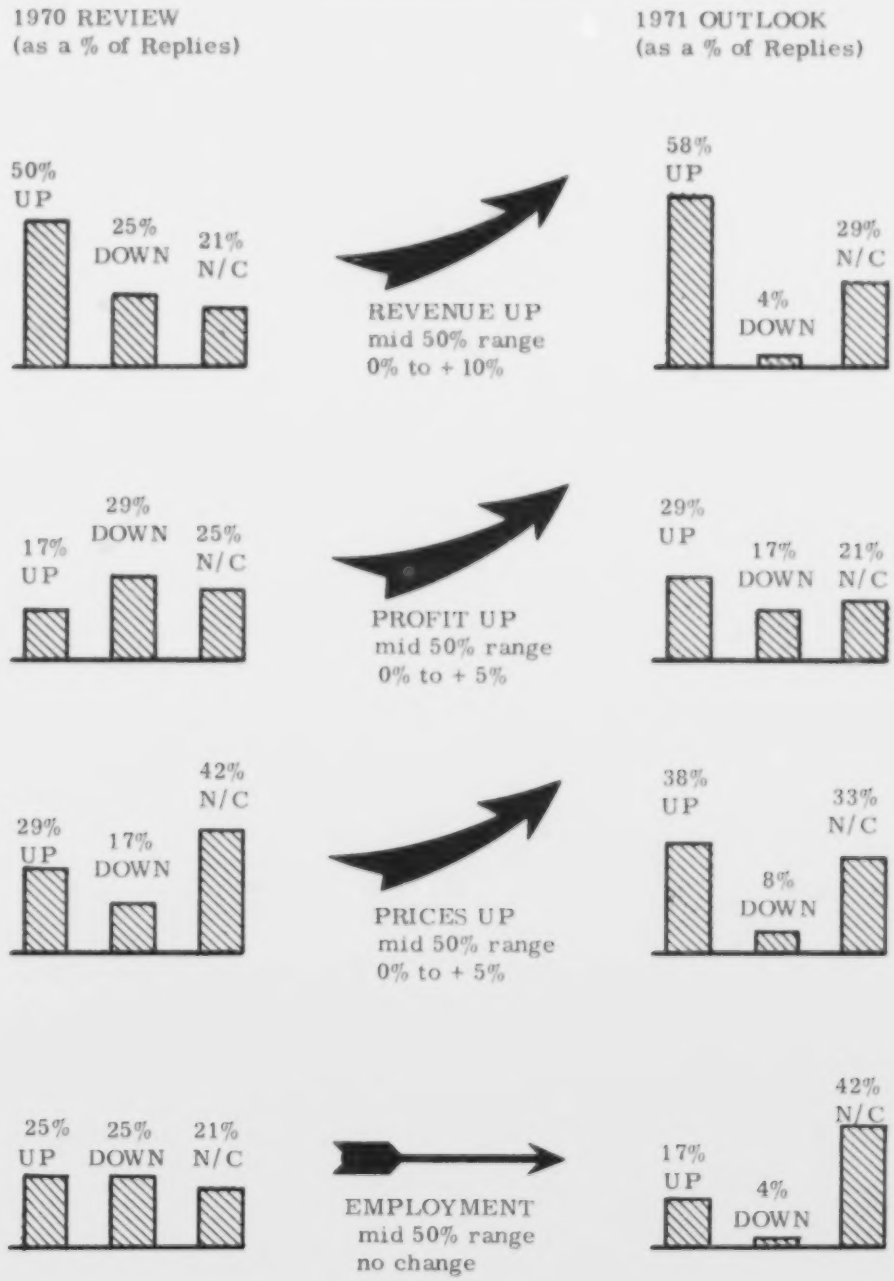
INDICATOR		CANADA* %	ALBERTA %
Sales:			
	Increased	80	73
	Decreased	4	11
	No Change	10	11
Prices:			
	Increased	57	56
	Decreased	8	4
	No Change	33	33
Employment:			
	Increased	24	38
	Decreased	14	12
	No Change	62	32
Profit:			
	Increased	65	59
	Decreased	12	11
	No Change	19	10
Capital Spending:			
	Increased	34	34
	Decreased	27	27
	No Change	36	33

* Figures from "The Financial Post".

Note: Figures are expressed as a percentage of replies. (Columns do not necessarily add to 100% because executives making no estimates are not shown).

Approximately 73 per cent of Alberta's executives forecast increases in sales revenue. The majority of executives also feel that profits will increase in 1971 over the 1970 level. In 1970 increases in capital spending were recorded by half of the firms responding to the Alberta survey. Capital investment intentions for 1971 are not as bright with 34 per cent of the respondents planning increases over 1970, with 33 per cent forecasting no change. The national survey reflects the capital spending outlook for 1971 in much the same light as expected for Alberta.

AGRICULTURAL INDUSTRY



AGRICULTURE

An improved international grains market, continued strength in livestock sales, and expected increases in demand for speciality products indicates continued growth in 1971 for the agricultural industry in Alberta.

Of the respondents in this category almost 60 per cent are forecasting increased sales revenue in 1971. The respondents project that revenue in 1971 will increase by 13 per cent over 1970's accomplishments. This compares with the 6 per cent increase realized by the respondents in 1970. Higher profits are expected in 1971 due to increased revenues and only minor changes in capital spending. Marginal changes are expected in prices, with 38 per cent of the respondents anticipating the average price level for farm products to increase, with one third expecting no change in prices.

This overview for 1971 cannot go without qualification. As one agriculturalist notes:

> "1971 should see some improvement but many farmers have little faith in grain price stability and/or markets. Many have invested in expensive feed lots and hog barns, and must now continue the operation."

In addition, direct export activities are expected to be affected by the "unpegging" of the Canadian dollar. The cost-price squeeze is expected to continue. New investments will be viewed with caution, but, some capital spending will be necessary if only to diversify or to increase the scale of operation.

"We are only able to maintain our level of profit by increasing the size and efficiency of our operation ..."

(There has been a) "Constant effort to expand output in order to reduce the level of fixed cost per unit of output."

Manufacturers of agricultural equipment, anticipate significant increases in grain and other product sales which will in turn rejuvenate capital investments. This optimism is reflected in these manufacturers' expections that 1971 sales revenue will be 20 per cent over 1970's level.

"The 1970 sales of farm machinery, in our specialty line of mainly sugar beet equipment, were down over anticipated sales. This was mainly due to a tight-money policy by the lending agencies, and a shortage of money due to farmers being unable to sell their products. Profits were down due to the sales not being as high as anticipated, and also higher costs of materials, freight, servicing, and a large increase in labour.

Prospects for 1971 look better with more wheat and grain sales anticipated in the near future."

Mr. M. Kirchner,
Kirchner Machines Ltd.,
Lethbridge, Alberta.

FORESTRY

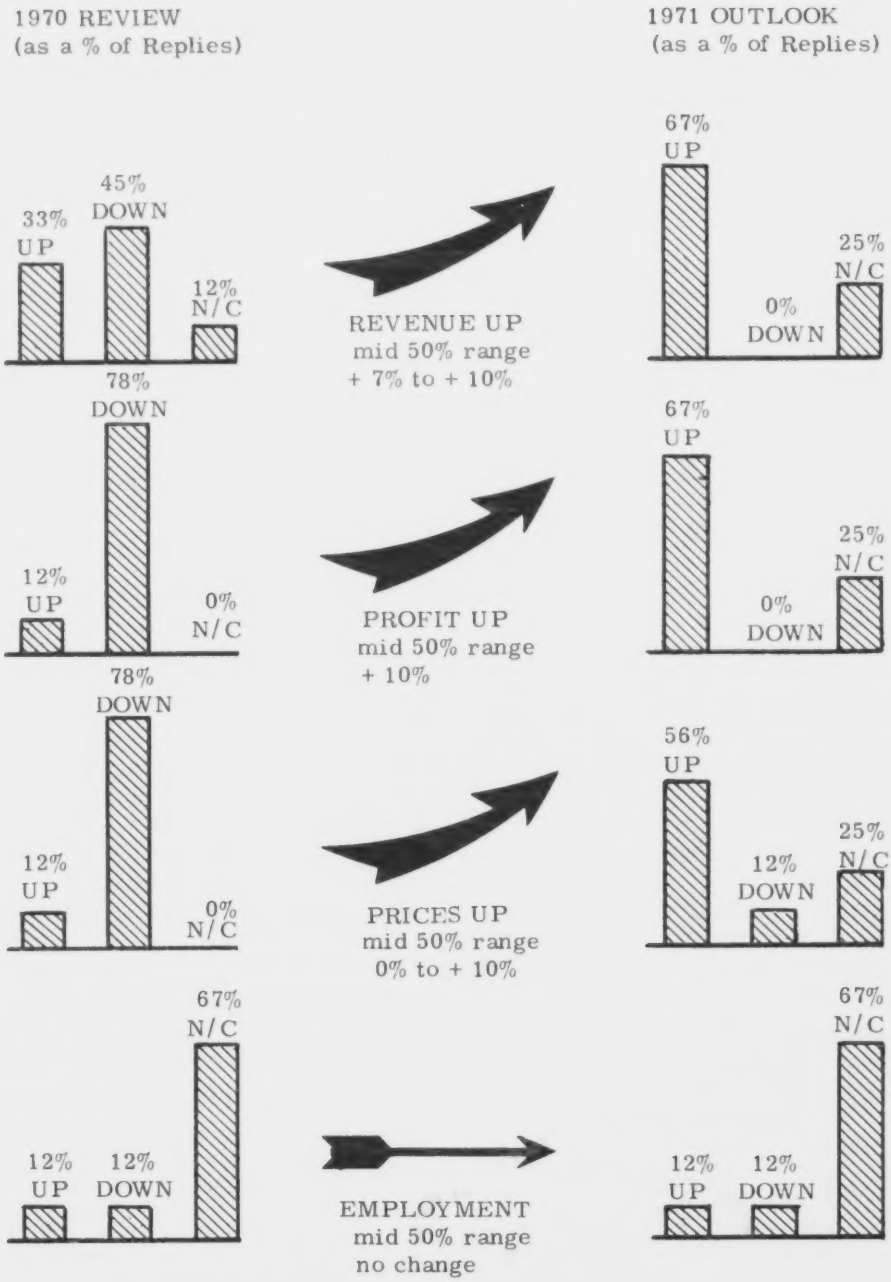
> "We expect that the depressed market will continue into 1971. During 1971, we expect an increase in the number of housing starts in both Canada and the U.S.A. This increased activity should result in improved sales volumes and prices. Although 1971 is expected to be better than 1970, it still will not produce the returns to our industry that the investment should produce. Continual technological advancements must be constantly included in plans in order to remain competitive and absorb the continually rising costs of supplies and labour."

Comparing 1970 to 1969, profits in the forestry industry slumped in some cases by 50 per cent, prices dropped by 10 to 40 per cent, and revenue declines were experienced by over half of the respondents.

The factors which so adversely affected 1970 results in the forest industry were of national and international scope. Inflated real estate prices; coupled with the high cost and lack of mortgage monies resulted in depressed residential construction activity in Canada and the United States. In addition the Canadian federal government maintained an 11 per cent sales tax on building materials. Significant increases in the forest industry's transportation and labour costs were not compensated for by price increases. Instead, 1970 saw declines in prices which in turn played havoc with profits. The "unpegging" of the dollar adversely affected the competitive position of Canadian producers in international markets.

Some of the factors which depressed the industry in 1970 are expected to change in 1971. Particularly important is the expected rise in housing activity in Canada and the United States. Optimism in the construction industry is reflected in 1971 forecasts for the

FORESTRY INDUSTRY

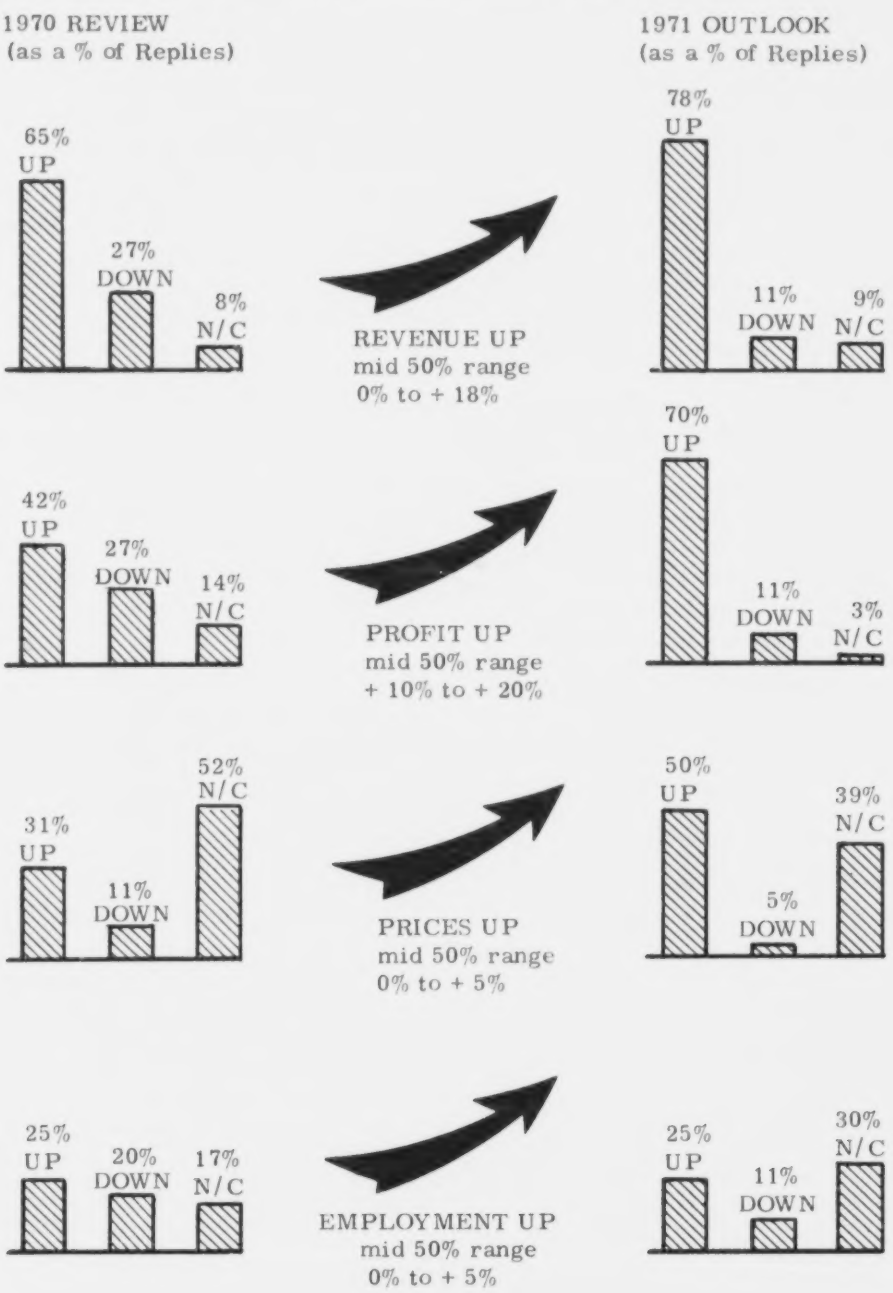


forest industry. Forecasts by respondents indicate an increase in revenue with 65 per cent anticipating an increase of 10 per cent or over. Prices are not expected to rise to the levels prevalent in 1969; however, some recovery will be made.

"The Lumber Industry of Alberta experienced the worst year profit-wise since 1960, as selling prices tumbled to levels not experienced since the early 1950's. Housing starts dropped in both Canada and the U.S.A. but production of lumber continued at an unnaturally high level. In Alberta quota provisions instituted in 1966 had a definite bearing on production levels. In other provinces integration of lumber operations with pulp mills also kept production up to maintain a constant source of pulp chips. Manufacturing costs continued to rise due to increases in wages, freight and utility charges.

The outlook for 1971 remains doubtful as the impact of projected increases in housing starts is not expected to be felt until the second half. Changeover to new lumber standards passed in the U.S.A. is expected to have a substantial impact on the Alberta Industry with considerable investment in fixed assets required to permit manufacturing which will meet the new standards."

PETROLEUM AND NATURAL GAS INDUSTRY



MINING

OIL AND GAS

> "Exploration and Production operations in Alberta in 1970 benefited from increased demand for oil and gas in Eastern Canada and the United States which pushed revenue from these products to record levels. These gains were countered by a strong decline in prevailing sulphur prices and by continued inflationary increases in the costs of labour, materials and equipment. Another problem faced by the industry in 1970 was the continued paucity of new oil discoveries in Alberta in spite of a high level of expenditure on exploratory operations.
>
> For 1971 the outlook is brightened by the assurance of increased gas exports consequent upon authorizations issued by the National Energy Board in late 1970 and by indications that substantially greater imports of Canadian liquid hydrocarbons may be admitted into the United States next year. The industry also will benefit from the first general crude price increase in eight years; this will partially offset cost increases experienced by all phases of the industry during the past several years. These factors should assist in giving a degree of stability to the industry's operations and will help provide some of the venture capital needed if oil and gas reserves consistent with market prospects are to be found and developed."

As indicated above, the oil and gas industry, in 1970 established some new records. Forecasts for 1971 are equally promising.

Of particular concern to the oil and gas executive, and commented on by most of this survey group, were the proposed actions of the federal government in the White Paper on Taxation. Until the federal government outlines their "revised" proposals on the White Paper, many executives have adopted a "wait and see" attitude with regard to investment and expansion.

On the positive side, export restrictions have been lifted on Canadian crude oil imports into the U.S.A., natural gas quotas have been increased, and a long awaited price increase for Western Canadian crude oil has been announced. These factors will undoubtedly have a beneficial effect on the total industry.

"The outlook for the Canadian petroleum industry for 1971 is for yet another year of strong growth. Deliveries of crude oil and equivalents to domestic markets are expected to advance by 4%-5%, and substantial increases in exports to the U.S. are virtually assured. With the prospect of relaxation of restrictions on the flow of Canadian oil into the U.S., it appears that exports will increase during 1971 by as much as 20%-25%.

Sales of natural gas are projected to grow by a further 12%-14%, with the major impetus coming from the export segment. Recent regulatory approval for increased sales to the U.S. indicate a growth of 19%-20%, while Canadian requirements are likely to grow by 7%-9%.

The rapid increase in demand for natural gas will result in substantial growth in the production of natural gas liquids, but it is expected that domestic and export markets will absorb these additional volumes. The persisting oversupply position in world sulphur markets will preclude any short-term improvement in the depressed level of sulphur prices.

Exploration activity will continue at a high level, with further emphasis in the Far North and on Canada's Eastern seaboard. The recent upward movement of crude oil prices in the U.S. has been reflected in Canadian prices. This is of particular importance to the petroleum industry in Alberta and in Canada, in view of the intense capital requirements being imposed on industry in its search for new reserves. Any substantial increase in development drilling will be dependent upon some significant discovery. However, some modest improvement may occur as producers seek to take advantage of higher prices and growing markets.

Mr. D. C. Jones,
President,
Hudson's Bay Oil and
Gas Co. Ltd.,
Calgary, Alberta.

SULPHUR

> "The persisting over-supply position in world sulphur markets will preclude any short term improvement in the depressed level of sulphur prices."
>
> Mr. D. C. Jones,
> President,
> Hudson's Bay Oil and
> Gas Co. Ltd.,
> Calgary, Alberta.

To some extent the increase in world supply of sulphur is attributable to the development of sour gas reserves in Alberta and throughout North America. The resultant imbalances in the supply-demand situation has caused havoc with prices and profits for sulphur.

> "Little relief from this condition is anticipated during 1971 although we are hopeful that a gradual sulphur price improvement from the present depressed levels may begin to materialize within the next few years."

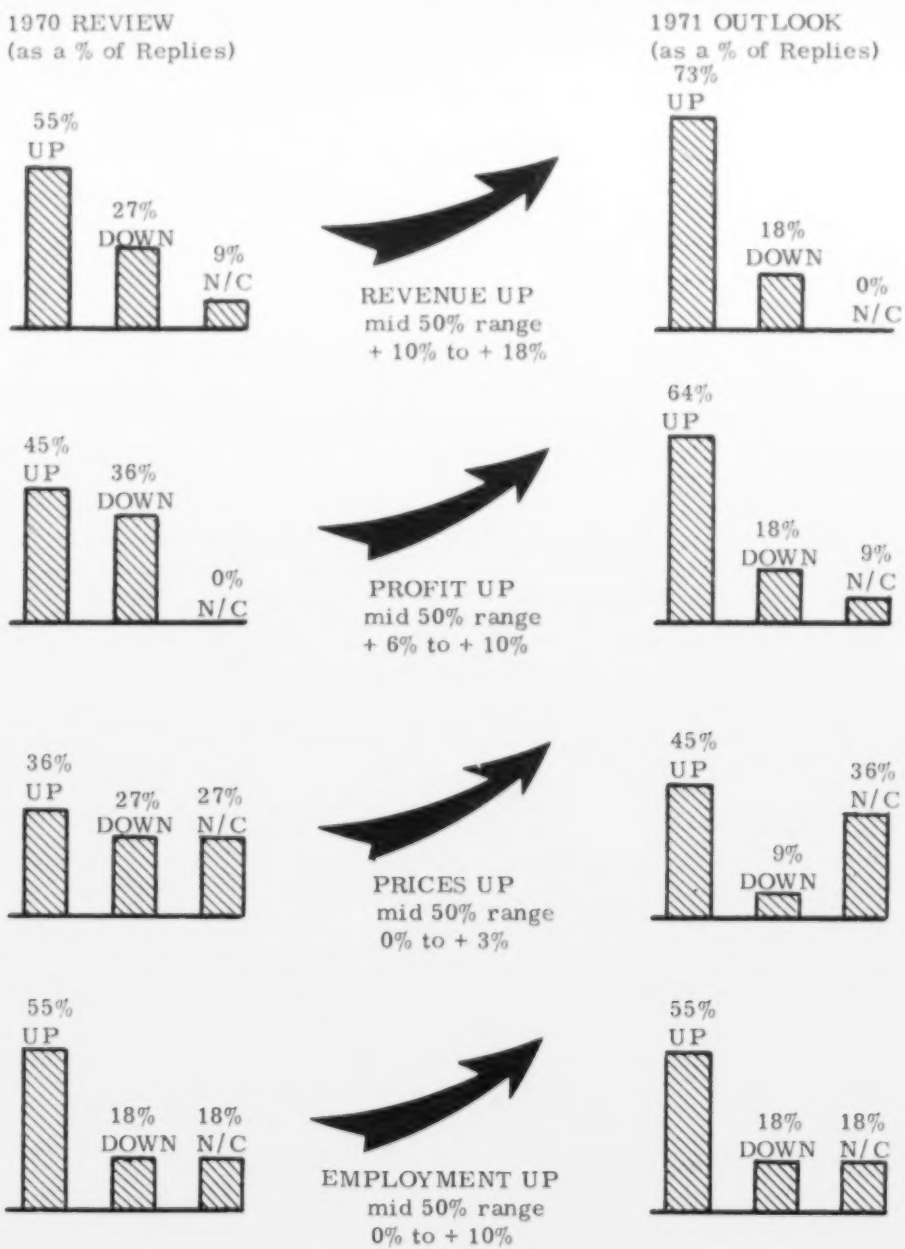
COAL

In total, revenues realized by the sale of coal in 1970 were significantly higher than in 1969, with prospects for 1971 indicating further gains.

The booming coal industry in Alberta is likely to be further strengthened as contracts for high grade coking coal are being currently negotiated with Japanese interests. Further, the increases in local demand for power gives additional reasons for optimism in the coal industry.

MINING INDUSTRY

(OTHER THAN PETROLEUM AND NATURAL GAS)



CONSULTING

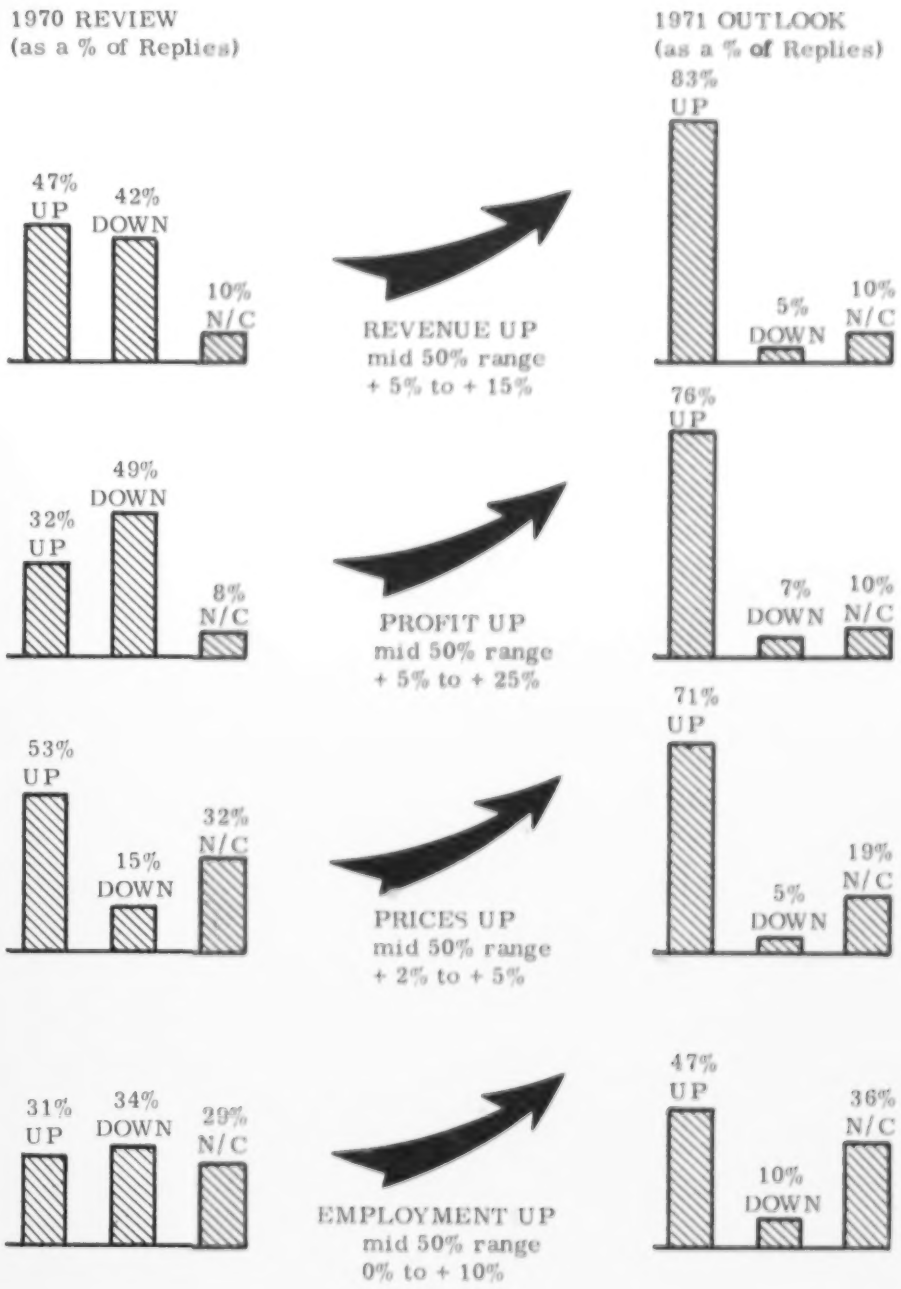
The consulting and exploration firms dealing in all phases of mining (including oil and gas) did not fare quite as well in 1970 as the firms they served. However, they are optimistic about 1971.

"Activities in our fields of consulting are related directly to the overall conditions in the mining and petroleum industries. During 1970 petroleum exploration work, particularly in the Canadian north, continued at a high level and, as a result demand for our field geological services was good. The slow-down in the economy and tight money situation discouraged new financing schemes and resulted in a decrease in property evaluation projects. New demands for our services in several overseas countries were offset to some extent by a decrease in field exploration work in Northern Greenland.

The outlook for 1971 is most promising. Exploration in the Canadian north is expected to continue at a high level. Increased demand for Alberta crude oil and expected increases in wellhead prices can be expected to spur activity in the province. The gradual loosening of financial restrictions and improvement in the general economic conditions should encourage new public financing issues to provide the needed capital for increased activity. Mining activity has been stimulated by the Governments' announced intention to make substantial changes in the White Paper on Taxation proposal as they apply to the mineral industries. As a result demand for all of our consulting services should increase . . . . "

Mr. A. N. Edgington,
President,
J. C. Sproule & Associates Ltd.,
Calgary, Alberta.

MANUFACTURING INDUSTRIES



MANUFACTURING

The 1970 value of manufacturing shipments in Alberta are estimated by the Alberta Bureau of Statistics at over $1.9 billion an increase in output from 1969 of nearly 5 per cent. The mixed performance of the manufacturing firms is exemplified by the food and beverage industries which reported an increase in sales revenue of 8 per cent when comparing 1970-1969 estimated performances. This compares to a 5 per cent decline in the non-metallic mineral products sector. Primary metals producers reported an increase of about 9 per cent; machinery and equipment manufacturers a decline of 9 per cent; and chemical producers a drop of 4 per cent.

Expectations for 1971 are much improved with virtually all respondents expecting increases. Below is a chart of how the respondents view 1971 performance with regard to their sales revenue.

SALES REVENUES OF MANUFACTURING INDUSTRIES - BY TYPE

	Forecasted Changes in Industry Performance, 1971 - 1970	
Description	Mid 50% Range	Average of Total Replies
Food and Beverages	+5 to +10%	+ 8 %
Textiles, Wood Products, Paper and Allied Industries	+10%	+ 15 %
Primary Metals	+10 to+20%	+ 11 %
Machinery and Equipment	+10 to +30%	+ 17 %
Non-Metallic Mineral Products	+5 to +10%	+ 2 %
Chemical and Chemical Products	+10 to +20%	+ 15 %

Particular note should be made of expections in the non-metallic minerals sector. The rather nominal increase of 2 per cent results from varied opinions. About two-thirds of the executives in the non-metallic minerals sector (the respondents include cement, concrete and concrete products manufacturers) forecast increases between 5 and 10 per cent in revenue, whereas a third project a drop of approximately 10 per cent. This reflects the caution and uncertainty that prevails in the construction industry. Even though monetary policies have eased, and the restrictive deferment of capital cost allowances has expired, the responding executives are unsure as to whether the effects will increase activity substantially in 1971.

On the other hand in the primary metals sector there is optimism and justifiably so. Current estimates of pipeline construction and actual pipe orders will tax the capacity of current facilities in 1971 and well into 1972.

CONSTRUCTION

"A significant decrease in the demand for architectural services began in mid 1969 and continued through 1970. In some offices this has resulted in a 50% decrease in staff. All offices have been affected.

A general shortage of mortgage funds has slowed or delayed the construction plans in the private sector of the economy. In addition, reduced spending by the Federal Government has added to the slowdown. Fortunately, the Alberta Government has wisely gone against this trend and the work they have generated has assisted many architectural firms and contractors to remain in business.

The whole sad tale is a repeat of previous slowdowns and subsequent booms in the construction industry. When Government chooses to use an industry to help regulate the economy without regard to the havoc that is being caused within that industry, our current problems will remain and we will continue to encourage a short sighted, quick gain approach by the industry."

The construction industry was hit hardest by federal government action to curb inflation. For Alberta in 1970; restriction of mortgage monies, high interest rates and the discriminatory deferment of capital cost allowances, led to a severe curbing of building construction. In addition, uncertainties as to the economic conditions associated with grain and energy resource export markets resulted in the adoption by many businessmen, of a "wait and see" attitude which further delayed investments in virtually all sectors of Alberta's economy.

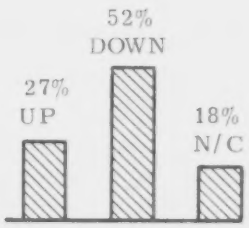
In total the survey shows declines of 8 per cent in 1970 under 1969 activity. Approximately a quarter of the reporting firms in the construction industry indicated that activity was down over 30 per cent. The general decline in activity saw profits slump by 40 per cent.

The factors which adversely affected Alberta's construction in

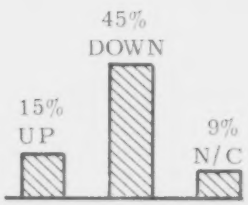
CONSTRUCTION INDUSTRY

1970 REVIEW
(as a % of Replies)

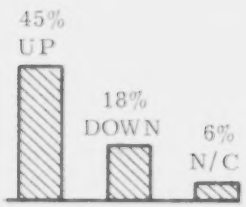
1971 OUTLOOK
(as a % of Replies)

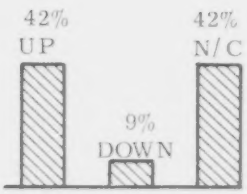


REVENUE UP
mid 50% range
0% to + 15%

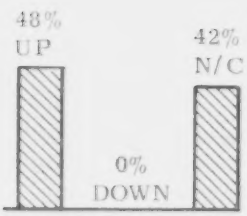


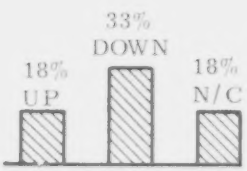
PROFIT UP
mid 50% range
0% to + 15%



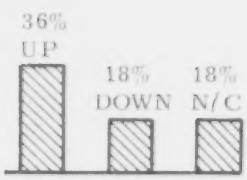


PRICES UP
mid 50% range
0% to + 7%



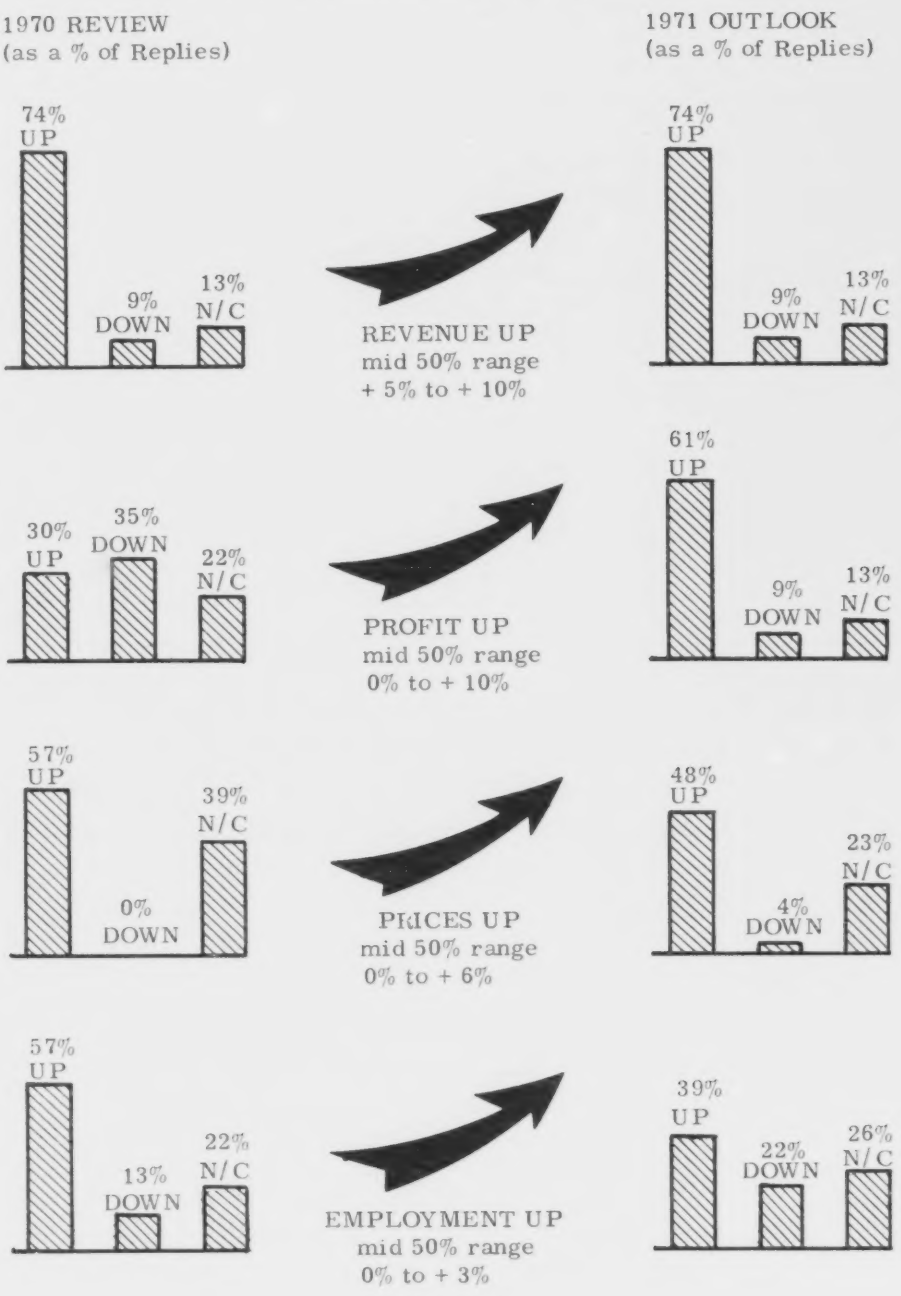


EMPLOYMENT UP
mid 50% range
0% to + 10%



early 1970 appear more favourable for 1971. Government influence to lower interest rates and increase the availability of mortgage funds has created optimism in the industry, particularly the building construction sector. Approximately 50 per cent of the respondents to the survey questionnaire expect 1971 revenues to be up between 10 and 30 per cent, profits to return to 1969 levels, and prices to rise only marginally. The expected increase in activity will help employment within the industry where over one third of the respondents indicated expected increases in their manpower requirements.

TRANSPORTATION, COMMUNICATIONS & UTILITIES INDUSTRIES



TRANSPORTATION, COMMUNICATIONS AND UTILITIES

Sizeable increases in revenues, averaging over 10 per cent, were recorded by all sectors of this group in 1970 with the outlook for 1971 suggesting continued growth. Profits did not fare as well, particularly in the transportation sector where 50 per cent of the respondents reported declines ranging from 5 to 40 per cent.

In 1971, expectations are promising for all sectors.

	Forecasted Changes in Industry Performance, 1971 - 1970	
Description	Mid 50% Range	Average of Total Replies
Revenue	+ 5 to + 10%	+ 12%
Prices	0 to + 3%	+ 2.8%

"In all phases of our airline operations during 1970 we were faced with increased costs. Our problem has been similar to that of most companies during the year where costs rose more rapidly than our revenues.

The year 1971 looks very promising for the airlines in Alberta and in Canada's far north . . . . Providing the pace of oil exploration continues either at its present level or at an increased rate, we expect to improve both our sales revenue and profit picture substantially relative to 1970 in the Alberta division of our airline. There are many other factors that could affect our operation in 1971, not the least of which could be increased labour costs on one hand while such things as an improvement in mining activity in the far north could help on the other. However, generally speaking, we look for an overall improvement in both our gross revenue and net profit picture in 1971."

"Electric energy requirements on the Company's system showed a marked increase in 1970 over the previous year. Increases were present in all categories of the Company's load, with the emphasis on the industrial sector. The rapidly expanding oil and gas industry has been especially strong, with the major increase in electric power requirements principally for oil refining, natural gas processing and pipelining. The Company's retail business in the towns, villages and hamlets has also shown a marked increase, no doubt stimulated by generally improved prospects for the agricultural industry. Electric supply to farm customers is also up substantially. As has been the case for some years back, the areas showing the greatest growth are in the northern part of the system, that is, Red Deer and north, with the exception of the City of Calgary which continues to expand its use of electrical energy at a rapid rate.

The electric utility industry, being one of the most capital intensive of industries, has demonstrated a particular vulnerability to the accelerated inflation which has plagued the economy during the past several years. Not only does it find that the cost of wages, salaries, materials, taxes and practically everything it buys continues to soar upward, but the interest on the money it borrows to carry on its business has reached unprecedented levels and all this during a period of very high growth. As a result, the Company, in common with most utilities, has experienced a severe profit squeeze in recent years.

Rising costs of new generating plants are a cause of major concern. Equipment and machinery costs keep rising but the major increases show up in the on-site costs, due in large part to the rapidly escalating wages and benefits paid to the construction trades. For instance, the average cost per man-hour at Wabamun in 1962 was $3.76 based on straight time, whereas the corresponding rate at the Sundance station, which has gone into service in the past few weeks, was $7.63 per man-hour, an increase of 103%.

It was also evident in the recent construction programmes that there was considerable project overlap with other industries creating a heavy demand for workers in the construction trades. This in itself compounded the difficulties resulting in higher field labour costs than would otherwise have been the case and an excessive number of labour disputes and work stoppages, most of which were jurisdictional in nature.

It would appear that 1971 will be another year of impressive growth. The load on the Company's system is expected to increase

continued ....

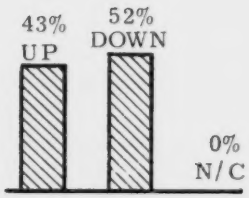
about 12% over that of this past year. Again, the growth emphasis appears to be in the industrial sector. In this connection the energy shortage which is being experienced in the United States will tend to broaden the export market for the province's natural gas and oil. This will give further impetus to the burgeoning oil and gas industry in Alberta which in itself will tend to increase electric energy sales. Residential, farm and commercial loads are expected to maintain comparable growth levels to 1970. Interest rates have shown a tendency to decline in recent months, particularly in respect to the short-term and medium-term borrowings. The long-term borrowing which is the traditional pattern of the industry, having regard to the nature of its equipment and the term of its contracts, is likely to hold at relatively high levels, although there are indications that interest rates may be slightly lower than were experienced in 1970. On the whole there is some reason to hope that the upward spiralling of costs which has been so evident in the last few years may have been at least partially checked. It is, however, discouraging to note that recent wage demands on the electric industry would seem to indicate yet another round of inflationary increases in labour costs."

Mr. A. W. Howard,
President,
Calgary Power Ltd.

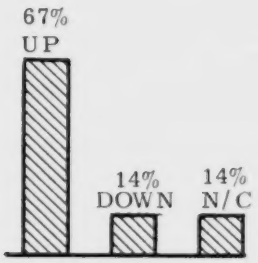
TRADE INDUSTRIES

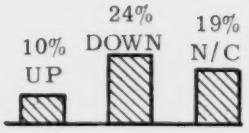
1970 REVIEW
(as a % of Replies)

1971 OUTLOOK
(as a % of Replies)

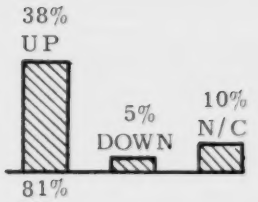


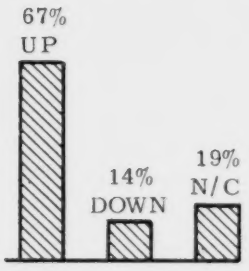
REVENUE UP
mid 50% range
0% to + 10%



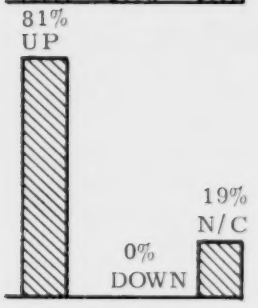


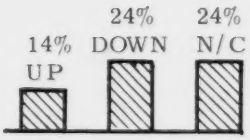
PROFIT UP
mid 50% range
+ 5% to + 10%



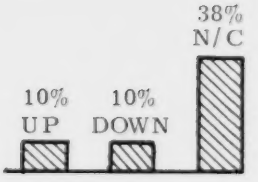


PRICES UP
mid 50% range
+ 2% to + 5%





EMPLOYMENT UP
mid 50% range
0% to + 5%



TRADE

"At this particular point in time our records indicate the consumer is spending a greater portion of his disposable income on the necessities, i.e. food, clothing and fewer dollars on luxury items. In addition, there appears to be a definite tendency to defer major family expenditures.

This may be the result of having fewer dollars to spend due to inflation and the high level of personal taxation or a combination of these factors plus an uncertainty about the economic future.

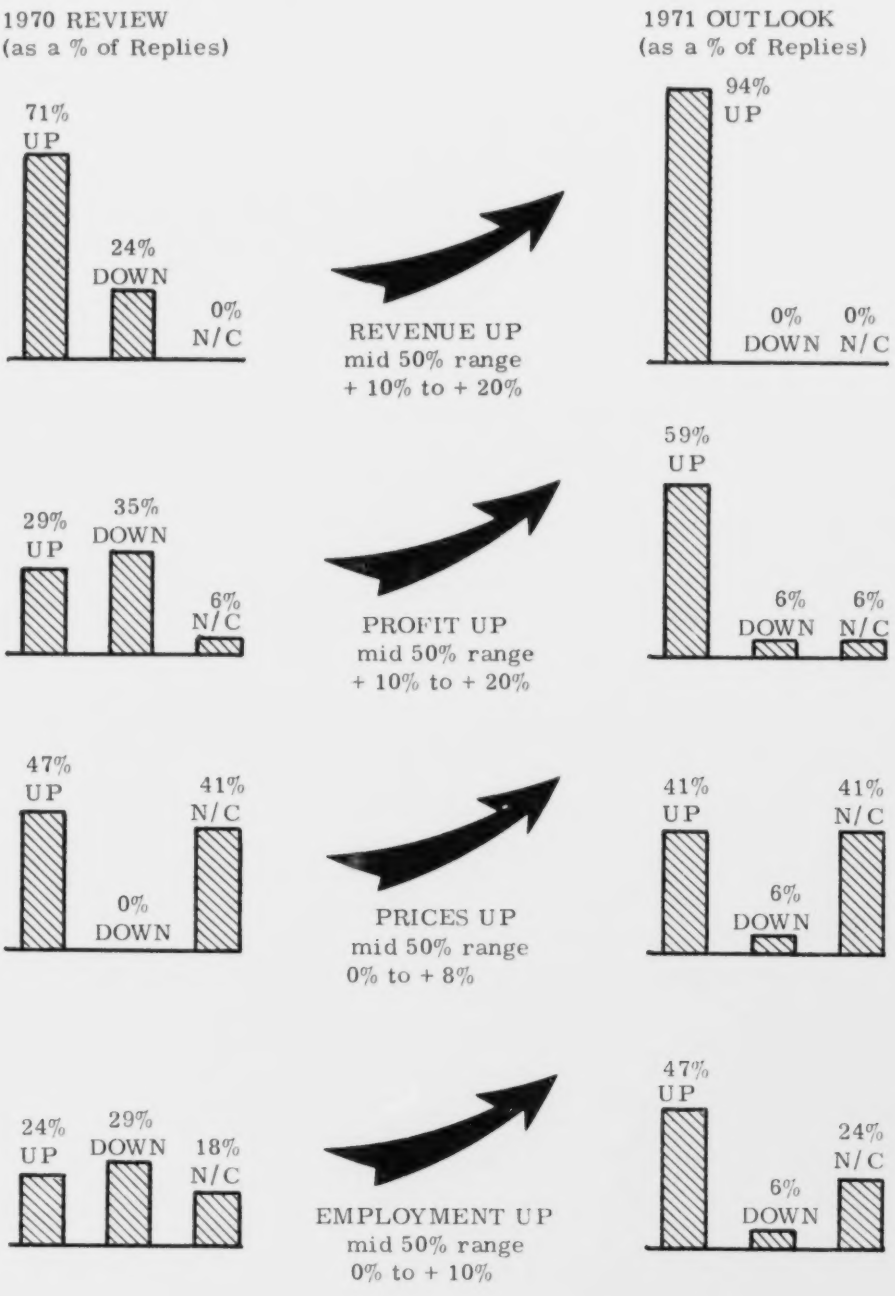
There is little doubt also that lack of new housing is having an adverse effect on sales of furniture, major appliances and floor coverings.

It is possible too that regionally orientated economic policies of the federal government are having an adverse effect on Alberta. A tax cut to achieve a more desirable balance between federal public and private spending is worthy of consideration.

Despite these temporarily depressing factors, we have great confidence in the future of Alberta as evidenced by our capital investment and our plans for future expansion. We look forward to being an active participant in a buoyant and progressive Alberta economy."

Wholesale and retail trade are two significant indicators reflecting the growth of population and general consumer well-being. Trade in 1970 did not change significantly from 1969's performance with increases and decreases in revenue equally split and percentage changes averaging close to zero. Expectations in 1971 are for a 6 per cent increase in revenues, 8 per cent increase in volume, and a 4 per cent increase in prices.

FINANCE, REAL ESTATE & OTHER SERVICE INDUSTRIES



FINANCE

"The decrease in volumes and values on the Calgary Stock Exchange during the year 1970 was attributable, for the most part, not to inflationary trends but to the action taken by the Government to alleviate this condition. This included high interest rates and a general tight money situation. The easing of credit availability, which would normally be an encouraging factor, is to a great extent counteracted by the current unemployment situation.

The White Paper on Taxation, if implemented as first suggested, would create chaotic conditions on this Exchange. The "five-year birthday clause" would have eliminated the possibility of risk-takers and promoters remaining in business without danger of take over, a loss of control and plunging prices of securities.

The uncertainty, in the resource industry particularly, will continue to have a restrictive effect on the market by creating hesitancy on the part of large investors and promoters to develop their companies to the fullest potential, in ignorance of future penalties or discriminating factors.

The Calgary Stock Exchange, while it has co-listings of many major companies with other Exchanges, is primarily a regional Exchange, trading shares of junior resource and industrial companies. For this reason, economic conditions and international agreements which have such a drastic effect on major producers, does not have an equal effect on locally listed companies. For this reason, the investment houses in Alberta have suffered in much greater proportion due to falling off of business outside of Alberta rather than within the Alberta borders. Indeed, by far the greater majority of investment houses in Alberta are not Members of the Calgary Stock Exchange and we would suspect that the major portion of investment dollars from Alberta goes outside the Province.

The buying and selling of securities is more of an emotional character than an economic one, although economic conditions can influence the emotions.

Bearing this in mind and taking into consideration the buoyancy of the attitudes of Albertans, we look forward to an increase in business during 1971."

Mr. J. R. Thomson,
Executive Manager,
Calgary Stock Exchange,
Calgary, Alberta.

REAL ESTATE

"We are in the business of providing accommodation for others for residential, commercial and industrial purposes.

The most important economic factor affecting our business is the availability of mortgage money not only the dollar amount available but its cost and type of mortgage investments preferred.

We found mortgage money in the past year limited in amount high in cost and lenders more interested in large apartment projects rather than single family loan and commercial or industrial loans.

For 1971 we think there will be more mortgage funds available at a cost that will be slightly less than in 1970, and lenders will be more willing to lend on single family housing."

"With respect to 1971 there are many indications that both our volume of sales and our sales revenue should increase over 1970. Mortgage money which is of prime importance to our operations is showing definite signs of becoming more plentiful and mortgage interest rates have been moving down and we expect a further small reduction in interest rates during 1971.

We expect that our profit picture in 1971 will be considerably improved over 1970 by reason of the fact that during 1971 some of our newly opened offices should reach a break-even or even a profit position."

IMPORTING - EXPORTING

"I feel that the outlook for 1971 will show a fairly good increase in volume of imports for clients we represent. I do not, however, anticipate a substantial increase in profits as I feel we will not be able to increase our price for services due to added competition, but I do anticipate that our labour and operation cost will show a fairly sharp increase.

The reason for increased imports will be largely due to Canada's wheat sales as one of our larger volume of imports is farm machinery and these imports show a substantial decrease in 1970 particularly in the import of farm tractors and agricultural implements.

I feel even if sales for new machinery is not realized the importation of repair parts will show a substantial increase as most of the farmers held their repair costs at a minimum during 1970.

Also, the Canadian government announced on June 1st, 1969 the full reduction of duties under the Kennedy Round of Trade Negotiations and due to the fact that the government, in the latter part of 1969 and 1970, tightened their austerity program, the full effects of the reduced duties did not show their effect.

Also, the Canadian dollar was unpegged and this certainly will make imports much more attractive as soon as the Canadian distributor can find additional financing for a larger inventory. We do anticipate a decrease in exports due to the unpegging of the dollar as it will make our Canadian manufactured products much more difficult to market in the United States."

ADVERTISING

"It is our observation that in 1970 business and industry were solidifying and reviewing their marketing position. We noted that marketing plans were reviewed and formulated and objectives clearly defined before advertising budgets were released. This took in some instances the greater part of the first half of 1970 with the result that total yearly advertising budgets were not as high as in 1969.

continued .....

As we enter 1971 we have noted among our clients that advertising budgets are back to the '69 high. This is due to competition and concentration on existing markets. Industry today demands maximum benefits for every advertising dollar spent.

. . . .

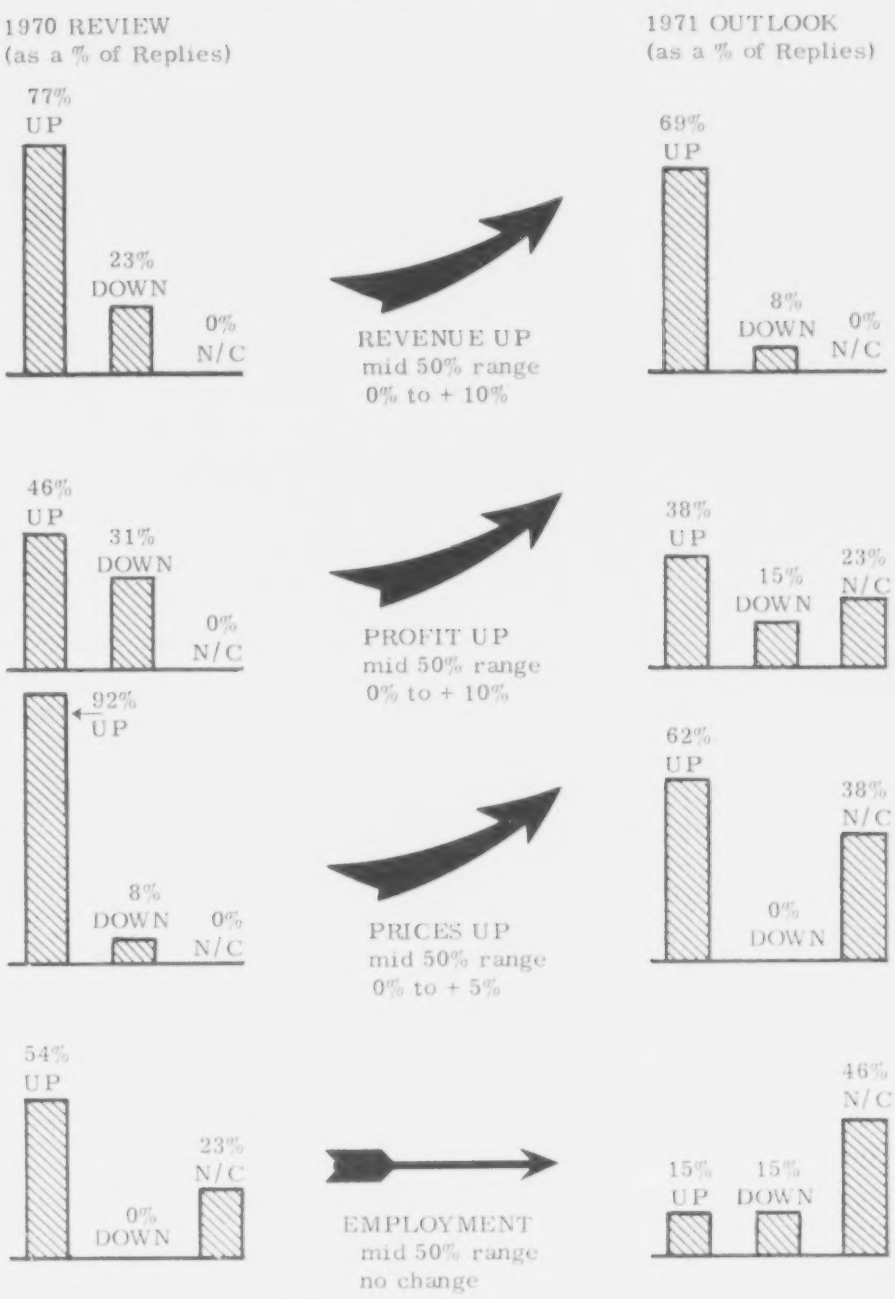
As an advertising agency we handle a large diversification of clients, and because of this we believe we have a good insight as to the pulse of the market. Everything to date points to an increase in 1971."

Mr. D.M. Lamb,
Vice President and
Manager,
James Lovick Limited,
Edmonton, Alberta.

RECREATION AND TRAVEL

Response in this area was best from hotel operators and travel agents. In aggregate, the industry expects gains in 1971 of over 5 per cent. Breaking this industry down into sectors, hotels expect a 7 per cent increase in revenue while travel agents expect a positive growth of 4 per cent. Most pronounced in changes are the hotels where increased winter travel is expected to contribute to revenue and profit gains. Significant to this industry is the employment picture which is anticipated to gain only marginally. Prices also show marginal increases - expected to increase 3 per cent in 1971.

RECREATION AND TRAVEL INDUSTRIES



APPENDIX

METHODOLOGY

"Executive Report - 1971" presents a review and forecast of economic activity as reported by senior executive officers in the Province of Alberta. The survey was conducted through a questionnaire mailed to 356 executives of firms varying in size and type of operations.

SURVEY POPULATION - BY INDUSTRY CLASSIFICATION

Industry	Number of Firms Responding
Agriculture	24
Forestry	9
Mining - Petroleum and Natural Gas	65
- Others	11
Manufacturing	59
Construction	33
Transportation, Communications, and Utilities	23
Trade	20
Finance and Other Services	17
Recreation and Travel	13
Not Classified	16
TOTAL RESPONSE	290

Definitions and explanation of terms pertinent to proper interpretation of any figures contained in this report are listed below:

Average: Simple, unweighted average of replies.

N/C or No Change: Respondent indicates no significant variance in indicator i.e. (a 0% change).

Mid 50% Range: The mid 50 per cent range of replies deletes the upper and lower 25 per cent of responses (or an upper and lower quartile deletion).

% of Replies, or % of firms responding: Statistics are based on total replies (even if a respondent leaves a blank space for his response). Therefore in cases where the total replies contain "blank" responses the increase, decrease, and N/C statistics will not add to 100 per cent.

Note should be made of the concept, AVERAGE, which refers to the unweighted average of responses. Many readers will interpret the unweighted "average" to include expected total industry performance. Therefore, caution was exercised to use averages only when it was judged that the sample content was representative of the industry. To further qualify and to show the varied responses a mid 50 per cent range has also been shown.